



DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Stephen B. Schnorf, Director

TO: All Chief Executive Officers
FROM: William B. Winberg, Chairman
Internal Audit Advisory Board
DATE: July 1, 1991

SUBJECT: IMPLEMENTING AUDIT STANDARDS AS SPECIFIED IN THE FCIAA

Under the provisions of the Fiscal Control and Internal Auditing Act (FCIAA) the Internal Audit Advisory Board, in accordance with their statutory responsibilities, established a framework of auditing standards to be followed within the State of Illinois for all internal audit functions. This memo constitutes the official announcement of the standards, effective July 1, 1991, impacting every agency, board, commission and university in the State subject to the Fiscal Control and Internal Auditing Act.

The guidelines promulgated by the Board are shown on Exhibit A (attached) and the following are extracts for informational purposes only.

Audit Standards

All audit performed by internal audit staffs of State agencies shall be conducted in compliance with the General and Specific Standards of the Standards for the Professional Practices of Internal Auditing as promulgated by the Institute of Internal Auditors. Some governmental bodies may also, where required, follow governmental audit standards as published by the United States General Accounting Office. For reference purposes, these standards are published by the Institute of Internal Auditors in their Red Book which is a Codification of Standards for the Professional Practices of Internal Auditing. The interpretation in the publications are for guidance purposes in carrying out the General and Specific Audit Standards.

Ethics

Professional conduct of persons involved in internal audit operations shall be based upon the ethical standard adopted by the Institute of Internal Auditors (IIA) "IIA Code of Ethics, Standards of Conduct."

Education

To promote professional auditor training each auditor is to complete, during three successive calendar years, 100 hours of audit related coursework with a minimum of 10 hours reported in any one year. Guidelines for types of acceptable continuing professional development are based upon the Institute of Internal Auditors Administrative Directive on continuing professional development. In establishing the 100 hours requirement, a phase in period has been adopted requiring 67 hours by December 31, 1993; thereafter, the 100 hours will be a requirement for succeeding three year periods. Auditors may consider any course taken after January 1, 1991 for credit providing it meets the IIA guidelines.

EXHIBIT A

INTERNAL AUDIT ADVISORY BOARD
STANDARDS

SECTION I. AUTHORITY.

These rules are promulgated under authority of Illinois Revised Statutes, 1989, Chapter 15, paragraph 2005(f).

SECTION II. APPLICABILITY.

These rules apply to all State agencies designated in Section 1003(a) of the Fiscal Control and Internal Auditing Act (IRS, Chap. 15, Section 1001 et seq).

SECTION III. STANDARDS.

All audits performed by the internal audit staffs of State agencies shall be conducted in accordance with the general and specific standards of the "Standards for the Professional Practice of Internal Auditing" published by the Institute of Internal Auditors, or where required, in accordance with government auditing standards published by the U.S. General Accounting Office. All audit reports issued by the internal audit staffs of State agencies shall include a statement that the audit was conducted pursuant to the appropriate standards.

SECTION IV. CODE OF ETHICS.

All State internal auditors shall adhere to the following standards of conduct which are derived from the Code of Ethics published by the Institute of Internal Auditors.

- A. Internal auditors shall exercise honesty, objectivity, and diligence in the performance of their duties and responsibilities.
- B. Internal auditors shall exhibit loyalty in all matters pertaining to the affairs of their organization or to whomever they may be rendering a service. However, internal auditors shall not knowingly be a party to any illegal or improper activity.
- C. Internal auditors shall not knowingly engage in acts or activities which are discreditable to the profession of internal auditing or to their organization.
- D. Internal auditors shall refrain from entering into any activity which may be in conflict with the interest of their organization

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or which would prejudice their ability to carry out objectively their duties and responsibilities.

- E. Internal auditors shall not accept anything of value from an employee, client, customer, supplier, or business associate of their organization which would impair or be presumed to impair their professional judgement.
- F. Internal auditors shall undertake only those services which they can reasonably expect to complete with professional competence.
- G. Internal auditors shall adopt suitable means to comply with the standards promulgated by the Internal Audit Advisory Board.
- H. Internal auditors shall be prudent in the use of information acquired in the course of their duties. They shall not use confidential information for any personal gain nor in any manner which would be contrary to law or detrimental to the welfare of their organization.
- I. Internal auditors, when reporting on the results of their work, shall reveal all material facts known to them which, if not revealed, could either distort reports of operations under review or conceal unlawful practices.
- J. Internal auditors shall continually strive for improvement in their proficiency, and in the effectiveness and quality of their service.
- K. Internal auditors, in the practice of their profession, shall be ever mindful of their obligation to maintain the high standards of competence, morality and dignity of the profession of internal auditing.

SECTION V. CONTINUING PROFESSIONAL DEVELOPMENT.

- A. Internal auditors are responsible for maintaining their knowledge, skills and abilities. They should keep informed about improvements and current developments in internal auditing standards, procedures, and techniques. Continuing Professional Development (CPD) may be obtained through such means as participation as an officer in professional societies; attendance at conferences, seminars, or technical sessions of professional societies; college courses, and in-house training programs; and participation in research projects which are published.
- B. All internal auditors must complete a total of 100 hours of acceptable continuing professional development during three successive calendar years, with a minimum of 10 hours completed each year.
- C. An Agency's Chief Internal Auditor is responsible for establishing and implementing a program to ensure that staff

auditors meet the CPD requirements cited in paragraph B of this Section.

- D. The Internal Audit Advisory Board, upon request, may grant partial or complete exemption from CPD requirements for one or more years for individuals when good cause exists, such as military service or individual hardship.

SECTION VI. QUALIFYING CPD ACTIVITIES.

- A. A specific program or activity qualifies as acceptable CPD if it contributes directly to the professional proficiency of an internal auditor. The Internal Audit Advisory Board, upon request, will issue interpretations of what CPD is acceptable.

1. The following activities qualify as acceptable if they fall within the limits specified in paragraph B of this Section.
 - a. Professional education and development programs of national, state, and local auditing and accounting organizations.
 - b. Technical sessions at meetings of national, state, and local auditing and accounting organizations and their chapters.
 - c. University or college courses (both credit and noncredit courses).
 - d. Formal in-house firm educational programs.
 - e. Programs of other sponsors (industrial, professional, etc.).
 - f. Acceptable self-study programs relevant to internal auditing that include evidence of completion.
 - g. Service as an officer of an auditing or accounting professional society.
 - h. Preparing publications and oral presentations.
2. The following general subjects are acceptable as long as the programs meet the criteria established in paragraph A(1) of this Section.
 - a. Auditing and accounting.
 - b. Management and communication (oral and written).
 - c. Computer sciences.
 - d. Mathematics, statistics, and quantitative applications in

business.

e. Economics.

f. Business and Public Administration.

g. Specialized areas related to the programs of the internal auditor's Agency.

3. Activities other than those listed above may be acceptable if the internal auditor can demonstrate that they contribute to their professional competence.

4. Substantiating that a particular activity qualifies as acceptable and meets the requirements is the responsibility of the Agency's Chief Internal Auditor.

B. CPD credit will be awarded for whole hours only, with a minimum of 50 minutes constituting 1 hour. As an example, 100 minutes of continuous instruction would count for 2 hours; however, more than 50 minutes but less than 100 minutes of continuous instruction would count for only 1 hour. Only class contact or acceptable self-study hours are allowed. For continuous conferences and conventions when individual segments are less than 50 minutes, the sum of the segments should be considered one total program. For example, five 30-minute presentations would equal 150 minutes and should be counted as 3 contact hours. For university or college courses, each semester hour of credit shall equal 15 hours.

1. Education.

A maximum number of 100 CPD hours will be awarded in the Education category for each 3-year reporting period. Educational activities include attendance at technical sessions of professional societies, seminars and conferences, formal in-house training programs, college or university courses passed, certification examinations passed, and formal correspondence programs.

Fifteen hours of CPD credit are awarded for each semester hour of college/university credit earned; 10 hours of CPD credit are awarded for each quarter hour of college/university credit earned.

2. Publications.

A maximum number of 50 CPD hours may be awarded in the Publications category in each 3-year reporting period. Generally, one full journal page of single-spaced print is equal to 1 hour of CPD credit, with the following limits on one publication: books, 50 hours; articles, 25 hours; and research papers, 25 hours. Contributions to publications should pertain to internal auditing or

disciplines related to the CIA Examination Program. Published articles or books not related directly to internal auditing are acceptable if internal auditors can demonstrate that these activities contribute to their professional audit proficiency.

3. Oral Presentations.

A maximum number of 50 CPD hours may be awarded in the Oral Presentations category in each 3-year reporting period. The hours for the first presentation will be based on presentation time (plus credit for preparation time equivalent to three times that for actual presentation time). Subsequent presentations of the same material may be reported as presentation time only up to a maximum of 10 CPD hours in a 3-year period.

4. Participation.

A maximum number of 25 CPD hours may be awarded in the Participation category in each 3-year reporting period for participation as an officer or committee member in a professional or industry organization related to internal auditing. One CPD hour for each hour of qualifying participation will be awarded.

5. CIA and CPA Examinations.

Passing the CIA or CPA examination will be deemed the equivalent of earning 100 hours of CPD credit in the year of completion. The Internal Audit Advisory Board should be contacted for information concerning the amount of CPD credit assigned to the successful completion of other professional certification examinations.

SECTION VII. RECORDING CPD ACTIVITIES.

- A. Chief Internal Auditors shall maintain records of CPD participation by their audit staffs. The records maintained by Chief Internal Auditors shall include, as appropriate, the following information:
1. Sponsoring organization.
 2. Location of course or program.
 3. Title of program and/or description of content.
 4. Dates attended.
 5. Contact hours of credit as recommended by the course sponsor.

6. A letter, certificate, or other written independent attestation of course completion.
 7. Documentation supporting publications, oral presentations, and committee or other participation.
- B. Required records for CPD participation shall be maintained by the Chief Internal Auditor for at least four years.